

**CareFirst Disclosure Schedules
Agreement and Plan of Merger
November 20, 2001**

ACQUISITION AGREEMENTS

1. Business Affiliation Agreement dated as of December 23, 1998, between CareFirst, Inc. and BCBSD, Inc.
2. Business Combination Agreement dated as of January 16, 1998, between BCBS-NCA, BCBS-MD and HOLDCO, Inc.

MATERIAL LOAN AGREEMENTS OR NOTES

1. Amended and Restated Credit Agreement, dated December 31, 1998, as amended, by and among SunTrust Bank (f/k/a Crestar Bank), Group Hospitalization and Medical Services, Inc., CareFirst of Maryland, Inc. and CFS Health Group, Inc. This is an open revolving credit facility with no outstanding balance as of November 19, 2001.
2. Note payable by BCBS-NCA to BCS Plan Investors Corporation ("BPIC"). As of November 19, 2001, CareFirst owes \$8.9 million plus interest on this Note, issued to ensure BPIC solvency.

CareFirst Disclosure Schedules
Agreement and Plan of Merger
November 20, 2001

Section 4.11(b) Certain Contracts and Commitments

Free State has contractual risksharing arrangements in place with the medical management groups for the Commercial, Medicare and Medicaid contracts. The total net outstanding receivable due Free State under these contracts as of October 31, 2001 was approximately \$3,559,934. There is an additional riskshare receivable of approximately \$4,327,377 for bankrupt/closed entities for which Free State is seeking recovery through legal means. The additional riskshare receivable is recorded on Free State's financial statements under "Premiums and other receivables" as a receivable. Further, this amount is fully reserved.

CareFirst Disclosure Schedules
Agreement and Plan of Merger
November 20, 2001

Section 4.12 Employee Plans; ERISA; Labor Matters

BENEFIT PLANS—RETIREMENT

<u>ERISA Plans-Retirement</u>	<u>Special Notes (as applicable)</u>
1. CareFirst of Maryland, Inc. Retirement Plan	Amended January 1, 1999, filed, awaiting determination letter
2. Group Hospitalization & Medical Services, Inc. Pension Trust Plan	Amended January 1, 1999, filed, awaiting determination letter
3. The CareFirst 401(k) Plan	Amended July 1, 1999, will file for determination letter by December 31, 2001
4. CareFirst, Inc. Supplemental Executive Retirement Plan	
5. CareFirst Executive Restoration Plan	
6. Group Hospitalization & Medical Services, Inc. Excess Benefit Plan	Frozen: no new participants
7. Group Hospitalization & Medical Services, Inc. Supplemental Executive Retirement Plan	Frozen: no new participants
8. Group Hospitalization & Medical Services, Inc. Top Hat Plan	Frozen: no new participants
9. Non-Contributory Retirement Plan for Certain Employees of BCBSD	See BCBSD- CareFirst Affiliation Agreement, Section 7.5 re "grandfathering."
10. BCBSD Supplemental Executive Retirement Plan I	
11. BCBSD Supplemental Executive Retirement Plan II	
12. BCBSD Supplemental Executive Retirement Plan III	

**CareFirst Disclosure Schedules
Agreement and Plan of Merger
November 20, 2001**

BENEFIT PLANS-EMPLOYEE WELFARE PLANS:

CareFirst Section 125 Cafeteria Plan (excluding BCBSD) includes: Medical Insurance, Dental Insurance, Vision Insurance, Group Term Life, Voluntary Life Insurance, Group Voluntary Accidental Death & Dismemberment Insurance, Voluntary Accidental Death & Dismemberment Insurance, Flexible Spending Accounts, Supplemental Long Term Disability

OTHER CAREFIRST (EXCLUDING BCBSD) BENEFITS:

1. Retiree Medical, Dental and Life Insurance
2. Paid Time Off and Purchased Paid Time Off
3. Short Term Disability
4. Tuition Reimbursement
5. Travel Insurance
6. Patuxent Medical Group, Inc. Medical Insurance
7. Patuxent Medical Group, Inc. Life Insurance
8. Patuxent Medical Group, Inc. Disability Insurance
9. Voluntary Lifestyle Benefits (Carebridge, Zurich)
10. CareFirst Severance Program
11. Employee Assistance Program
12. Dependent Life Insurance
13. Supplemental Long Term Disability

**CareFirst Disclosure Schedules
Agreement and Plan of Merger
November 20, 2001**

CAREFIRST PENSION PLANS:

All CareFirst Pension Plans adhere to ERISA minimum funding standards. Due to asset fluctuations, plans may not be fully funded on a termination basis – based on the current estimated fair market value of the assets of such Plans and on the interest rates used in the calculation thereof. The most recent actuarial valuation of the CareFirst Pension Plans has been provided to Purchaser and reflects the funding status of the Plans at such date.

	BCBS-MD	BCBS-NCA	BCBSD	Total
Discount Rate	7.25%	7.25%	7.25%	7.25%
Accrued Benefit Obligation ("ABO") as of 1/1/02*	131,591,692	180,957,777	43,063,045	355,612,514
Fair Value of Assets (9/30/01)	90,215,000	210,244,000	39,196,606	339,655,606
Unfunded (Overfunded) ABO	41,376,692	(29,286,223)	3,866,439	15,956,908

* Liabilities as of January 1, 2001, projected to January 1, 2002

ADDITIONAL AGREEMENTS AND PLANS:

1. Four BCBS-NCA Executive Term Life Insurance Policies
2. Board of Directors Benefit Plan
3. Medical Benefit Arrangements for the Becker Group
4. Supplemental Executive Retirement Payments for three former Maryland executives
5. Severance Plan
6. Retention Bonus Plan
7. Merger Incentive Plan

BCBSD EMPLOYEE WELFARE BENEFIT PLANS:

1. Non-Contributory National Long Term Disability Program
2. Group Life Insurance Program (See note)
3. Travel Accident Program

**CareFirst Disclosure Schedules
Agreement and Plan of Merger
November 20, 2001**

4. Educational Assistance Program
5. Group Dental Insurance Program (Dental Care)
6. Dental Health Plus Dental Benefit Program
7. Employee Assistance Program
8. Cafeteria Program
9. Health Care Spending Account Program
10. Severance Pay Program
11. Group Health Insurance Program (POS) (See Note)
12. Group Health Insurance Program (CMM 250) (See Note)
13. Group Health Insurance Program (CMM 200) (See Note)
14. Special Medicfill Health Insurance Program (See Note)
15. Adoption Assistance Program
16. Supplemental Life Insurance (See Note)
17. Dependent Life Insurance (See Note)
18. Flexible Spending Accounts

NOTE: See BCBSD-CareFirst Affiliation Agreement, Section 7.5 re "grandfathering."

EMPLOYMENT AGREEMENTS:

1. **CareFirst, Inc.; BCBS-NCA; BCBS-MD:**
William L. Jews, David Wolf, Gregory Devou, John Picciotto, G. Mark Chaney, Leon Kaplan, Sharon Vecchioni, Michael Felber
2. **The Michelsen Group, Inc.:**
W. James Michelsen
3. **Patuxent Medical Group Physicians (Original & Non-Original):**
BCBS-MD has employment agreements with both the Original and Non-Original Physicians associated with Patuxent Medical Group. Under the agreements with the Original Physicians, these physicians are entitled to assurances from any purchaser that a purchaser will take subject to these contracts and guarantee their performance.
4. **Potomac Physicians:** We have employment agreements with the physicians associated with Potomac Physicians, P.A.
5. **BCBSD:** Christine L. Alrich, John R. Castiglioni, D.O., William E. Kirk, III, Paul A. Kaplan, M.D. and Thomas F. Pruitt

STOCKHOLDER AGREEMENTS-POTOMAC PHYSICIANS:

1. Daniel Winn, M.D.
2. Carol Reynolds-Freeman, M.D.

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CareFirst Disclosure Schedules
Agreement and Plan of Merger
November 20, 2001

3. Roberta Braun, M.D.
4. Yvette Oquendo, M.D.

CHANGE OF CONTROL AGREEMENTS – CAREFIRST, BCBS-MD AND BCBS-NCA:

1. Booker Carter
2. Tom Rekart

CareFirst Severance Agreements: See Section 4.12(j)(ii) disclosure schedule.

CAREFIRST INCENTIVE PLANS (EXCLUDING BCBSD):

1. Sales
2. PMG Original Physician—Financial
3. PMG Original Physician—Service
4. Executive Long Term Incentive Plan
5. Annual Management Incentive Plan
6. Annual Associate Incentive Plan
7. CareFirst Administrators Productivity Pay Plan
8. Casci Productivity Pay Plan

BCBSD INCENTIVE PLANS:

1. All Associate Incentive Program
2. Director Incentive Program
3. Officer Annual Incentive Program
4. Officer Long Term Incentive Program
5. Sales / Marketing Incentive Program
6. Brokerage Manager Incentive Program
7. Quest for Quality Awards
8. FEP Incentive Program (Customer Service, Claims and Marketing)
9. Society of Actuaries Incentive Program

CAREFIRST CONTRIBUTIONS AND SELF-INSURED ARRANGEMENTS

1. CareFirst contributes to all of its employee benefit plans with the exception of the following (which are paid for by the employees):

CareFirst (excluding BCBSD):

- Voluntary Life Insurance
- Dependent Life Insurance

**CareFirst Disclosure Schedules
Agreement and Plan of Merger
November 20, 2001**

- Voluntary Accidental Death & Dismemberment Insurance
- Flexible Spending Accounts (however, CareFirst has to prefund these accounts until the employees pay the money in through payroll deduction throughout the plan year)
- Purchased Paid Time Off
- Voluntary Lifestyle Benefits
- Supplemental Long Term Disability

BCBSD:

- Supplemental Life Insurance
- Dependent Life Insurance
- Flexible Spending Accounts

2. The following plans are self-insured or are paid out of general assets:

CareFirst (excluding BCBSD):

- Medical Coverage (PHN, CareFirst BlueChoice, Inc., Point of Service)
- Dental Coverage
- Vision Coverage
- Flexible Spending Accounts (to the extent not reimbursed due to associate terminations)
- Short Term Disability
- Severance
- Tuition Reimbursement

BCBSD:

- Severance
- Educational Assistance
- Employee Assistance Plan
- Adoption Assistance
- All health options

CareFirst Disclosure Schedules
Agreement and Plan of Merger
November 20, 2001

Section 4.12(f) Employee Plans; ERISA; Labor Matters

CareFirst is drafting The PMG Physician Welfare Plan summary plan description and expects to complete it by April 1, 2002.

CareFirst Disclosure Schedules
Agreement and Plan of Merger
November 20, 2001

Section 4.12(h)(iii) Employee Plans: ERISA; Labor Matters

The termination of the qualified plans requires notice, in excess of 30 days, (between 60-90 days) to affected parties such as:

- Each plan participant;
- Each beneficiary of a deceased plan participant; and
- Each alternate payee under a Qualified Domestic Relations Order.

In addition, after the Standard Termination Notice for the defined benefit plan has been filed with the PBGC, the PBGC has 60 days in which to review, and possibly nullify, the termination. The BlueCross and BlueShield of Delaware Retirement Plan cannot be terminated without providing a minimum of 90 days written notice to The National Employee Benefits Association, and such notice may require indemnification provisions.

CareFirst's qualified 401(k) plan can officially terminate in less than 30 days. As an administrative matter, termination of the qualified defined contribution plan would require a winding up period of more than 30 days. In addition, the IRS may take 6 months to a year to approve the termination, and the plan must continue to be administered during this period (no new contributions or participants).

Additionally, notice in excess of 30 days may have to be provided to FEP, CMS, and the local insurance commissioners in Maryland, Delaware and the District of Columbia.

While CareFirst's welfare benefit plans can generally be terminated in 30 days, there could be payment due for "claims run-out" after the 30 day period. CareFirst incurs approximately \$8,000,000 in quarterly claims expenditures.

The BCBSD SERP II plan (and related officer employment agreement) provides that if the plan is terminated, the participant must be given an opportunity to elect an early retirement option.